

South Carolina Retirement SYSTEMS UPDATE

Summer 2007



From the Director

Peggy G. Boykin, CPA

Active Member Edition

Volume 28, Number 1

Inside this Issue

From the Director
Page 1

Return to Work Retirees
Page 2

Service Credit Threshold
Page 3

2007 Legislative Update
Page 3

Nearing Retirement?
Page 4

Rate This Newsletter
Page 4

Referendum Ratified, Commission Moving Forward

In last fall's *Systems Update*, we introduced you to the South Carolina Retirement System Investment Commission (RSIC), an independent board comprised of six financial experts which is responsible for the investments of the South Carolina Retirement Systems' pension trust fund, and its Chief Investment Officer, Robert L. Borden.

The RSIC became effective October 1, 2005, and under the leadership of Chairman Reynolds Williams, hired Borden, former executive director of the Louisiana State Employees' Retirement System (LASERS) as its CIO in April 2006. In November 2006, Amendment 3a, a referendum to allow full diversification of the South Carolina Retirement Systems' portfolio, was on the statewide ballot. South Carolina voters approved the referendum at the polls last fall and the South Carolina General Assembly ratified the referendum in February 2007.

Since its inception, the RSIC has made significant progress in implementing a complete restructuring of the state's investment program for the Retirement Systems' \$28 billion pension trust fund. The RSIC has contracted with New England Pension

Consultants (NEPC) for general investment consulting services, and has conducted an asset/liability model study through Mercer Investment Consulting, Inc., and a cost benchmarking study by Cost Effectiveness Measurement, Inc.

In addition to implementing the transition of the Retirement Systems' fixed income assets from the State Treasurer's Office to the RSIC, the RSIC is restructuring the Retirement Systems' portfolio through the development of private equity, portable alpha, global fixed income, and domestic and international equity portfolios.

The RSIC has selected the following managers to assist with the implementation of its plan: Credit Agricole, Loomis Sayles, WAMCO, and Mondrian as global fixed income managers; Bridgewater, D.E. Shaw, Morgan Stanley, and Mariner as portable alpha managers; Russell Investment Group to conduct beta overlay; Aquiline, Pantheon, and TCW as private equity managers; and GMO, Putnam, and Bridgewater as global tactical asset allocation managers.

Continued on Page 2

THE LANGUAGE USED IN THIS DOCUMENT DOES NOT CREATE ANY CONTRACTUAL RIGHTS OR ENTITLEMENTS AND DOES NOT CREATE A CONTRACT BETWEEN THE MEMBER AND THE SOUTH CAROLINA RETIREMENT SYSTEMS. THE SOUTH CAROLINA RETIREMENT SYSTEMS RESERVES THE RIGHT TO REVISE THE CONTENT OF THIS DOCUMENT.

SC's Retirees Have Generous Return to Work Provisions

Service retirees of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) are allowed to return to work after retirement and draw an annuity benefit with no limit on their earnings.

Many other public retirement plans require that members

forfeit their right to retirement benefits, limit members' earnings, and/or require members to again become active contributing members when they return to covered employment.

In South Carolina, retirees who return to work for a covered employer pay employee contributions, which partially fund

guaranteed cost-of-living adjustments (COLAs) under SCRS and also help provide funding for ad hoc COLAs under SCRS and PORS.

A basic summary of the retiree return-to-work provisions for 11 other public pension plans is outlined in the table below.

Comparison of Basic Service Retiree Return to Work Provisions - 12 Southern States

State	Break-In-Service Requirement	Earnings Limitation	Forfeiture of Benefit
Alabama	None	\$20,000 per calendar year	Yes if annual earnings exceed \$20,000; yes if in permanent, full-time position
Arkansas	30 days, 90 days	None	Yes if break-in-service is violated
Florida	1 year	None after 1 year break-in-service	None after 1 year break-in-service
Georgia	None	No more than 1,040 hours per year	Yes if annual hours worked exceed 1,040
Kentucky	30 days or 6 months	None	Yes if return to work before 30 days
Louisiana	None	50% of annual retirement benefit	Yes if earnings exceed 50% of annual retirement benefit - benefit reduced by amount of excess earnings
Mississippi	45 consecutive calendar days	Two options - may work up to half the normal working days and earn up to half the normal salary OR may earn up to 25% of average compensation	Yes if return to work on a full-time basis
North Carolina	6 months	Greater of \$26,960 or 50% of compensation for 12-month period preceding retirement date	Yes if earnings exceed limitation - benefit stopped
South Carolina	15 consecutive calendar days	None	Yes if break-in-service is violated
Tennessee	None	120 days with salary limitations	Yes if earnings limits exceeded - benefit is offset
Virginia	None	Benefits cease if return to any covered employment - must again become active member	Yes if return to any covered employment - must again become active member
West Virginia	None	\$15,000 for temporary covered employment	Yes if permanently employed - benefit suspended during employment and must again become contributing member

Source: An informal survey of retiree return to work provisions on the Web sites for similar public employee pension plans in the following states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Tennessee, Virginia, and West Virginia. A more detailed summary of these provisions is on our Web site at www.retirement.sc.gov.

From the Director

Continued from Page 1

The asset allocation transition, and in particular the development of private equity, portable alpha, fixed income, and domestic equity portfolios, is an ongoing process.

Some of the RSIC's upcoming projects include formation of a real estate investment strategy, implementation of international and emerging equities strategies, and ongoing manager selection processes. For more specific information about

the RSIC's activities, please contact Bob Borden at bborden@retirement.sc.gov.

The following individuals serve on the RSIC: Reynolds Williams (chairman); James R. Powers (vice-chairman); Converse A. Chellis, III, CPA (State Treasurer); Blaine Ewing, III; Allen R. Gillespie, CFA; and Dr. S. Travis Pritchett (retired member representative).

Service Credit Threshold for Earned Service Credit Increases

Active contributing members of the South Carolina Retirement System (SCRS) and/or the Police Officers Retirement System (PORS) who are employed by a covered employer earn service credit in the system into which they contribute.



Retirement Systems multiplies the hourly federal minimum wage by 80 hours.

The Retirement Systems will increase the service credit threshold to \$468 as of October 1, 2007, as a result of the federal minimum wage

increasing to \$5.85 per hour July 24, 2007. This means that

as of October 1, 2007, a member must earn at least \$468 in a month to earn a full month of service credit ($\$5.85 \times 80 \text{ hours} = \468).

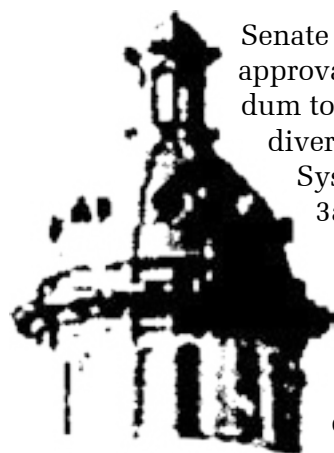
This is not the only expected increase in the service credit threshold. The federal government is raising the minimum wage to \$6.55 per hour effective July 24, 2008, and to \$7.25 per hour as of July 24, 2009. The Retirement Systems expects to adjust the service credit threshold accordingly (see table below).

The South Carolina Retirement Systems utilizes a dollar threshold to determine when a member is entitled to receive a full month of service credit. The Retirement Systems' policy ties the service credit threshold to the federal minimum wage. To determine the service credit threshold, the

Future Service Credit Threshold Increases		
Effective Date	Minimum Wage Rate	Indexed Service Credit Threshold
10/01/2007	\$5.85	\$468
10/01/2008	\$6.55	\$524
10/01/2009	\$7.25	\$580

2007 Legislative Update

The South Carolina General Assembly passed two laws during its 2007 session that relate to the state's public employee pension programs.



Senate Bill 152 (Act No. 1), ratified last year's approval by South Carolina voters of the referendum to amend the state constitution to allow full diversification of the South Carolina Retirement Systems' investment portfolio (Amendment 3a). Act No. 1 was ratified April 17, 2007.

House Bill 3826 (Act No. 169), ratified June 20, 2007 and effective June 27, 2007, expanded exemptions to allow personnel employed by a hospital that is an employer covered under the South Carolina Retirement Systems to irrevocably opt out of Retirement Systems' membership within 30 days of hire if they serve in

the capacity of a physician, nursing service personnel, technicians, housekeeping personnel, dietary personnel, and laundry personnel.

State Budget and Control Board

Mark Sanford, Chairman
Governor

Converse A. Chellis, III, CPA
State Treasurer

Richard Eckstrom
Comptroller General

Hugh K. Leatherman, Sr.
Chairman, Senate Finance Committee

Daniel T. Cooper
Chairman, Ways and Means Committee

Frank W. Fusco
Executive Director

South Carolina Retirement Systems

Peggy G. Boykin, CPA
Director

Megan Lightle Reynolds
Public Information Officer

Systems Update is published periodically by the South Carolina Retirement Systems, a division of the State Budget and Control Board.

South Carolina Retirement Systems
PO Box 11960
Columbia, SC 29211-1960
(800) 868-9002
(803) 737-6800
cs@retirement.sc.gov

Getting Closer to Retirement? Take These Steps

It is especially important for members who are within a few years of retirement eligibility to take advantage of the information and tools available from the South Carolina Retirement Systems.

One of the first things you can do is determine your eligibility by calling and visiting the Retirement Systems' office in Columbia and speaking with a retirement consultant. You can make an appointment in advance or simply walk into our office without one. Since sessions can take an hour or longer, please come early enough so our consultants will have time to address all of your needs. Our business hours are 8:15 a.m. to 4:45 p.m.

You can also request a benefit estimate, either by telephone or e-mail, or use the benefits calculator on our Web site, to obtain an estimated monthly retirement benefit for planning purposes.

Be sure that you have proof of birth (a birth certificate if possible) for you and your beneficiaries. If not, now is a good time to obtain this information since it will be required at retirement.

Another thing to consider as you get closer to retirement is whether you have service you can purchase. If there is a type of service purchase for which you are eligible, consider buying the

service now if you have not already done so. Our retirement consultants can guide you through this process as well.

The regional pre-retirement seminars offered around the state each fall by the Retirement Systems' Customer Services Field Education staff are also a good resource for retirement information. In addition to retirement benefits overview presentations, speakers from the Social Security Administration, the South Carolina Deferred Compensation Program, and the Employee Insurance Program (EIP) participate in the seminars.

Members are registered for seminars through their employer, so contact your benefits administrator or human resource department for more information about these seminars.

For more information about retirement eligibility, purchasing service, or the retirement application process, contact the Retirement Systems' Customer Services staff at (800) 868-9002, (803) 737-6800, or cs@retirement.sc.gov.

Our Web site (www.retirement.sc.gov) has other helpful tools in addition to the benefits calculator as well as more information. Retirement is closer than you think. Make sure you're ready!

Rate this Newsletter

Please let us know how we're doing by responding to the items below, clipping this survey from the newsletter, and returning to: South Carolina Retirement Systems, Communications Department, PO Box 11960, Columbia, SC 29211-1960. Thank you!

1. Please rate the content/usefulness of this newsletter.

☐ ☐ ☐ ☐ ☐
Excellent Above Average Average Below Average Poor

2. Please rate the readability of this newsletter.

☐ ☐ ☐ ☐ ☐
Excellent Above Average Average Below Average Poor

3. Please rate the appearance of this newsletter.

☐ ☐ ☐ ☐ ☐
Excellent Above Average Average Below Average Poor

Comments

Summer 2007 Active Member Edition